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March 15, 1993

DIRECT DIAL NUMBER  
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Mr. Lowell Braxton,  
Associate Director for Mining  
Utah Division of Oil, Gas and Mining  
355 West North Temple  
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Salt Lake City, UT 84180

**RECEIVED**

MAR 17 1993

DIVISION OF  
OIL GAS & MINING

Re: Release of Western States Minerals  
Corp. Bond on Drum Mine

Dear Mr. Braxton:

As you know, Western States Minerals Corp. ("WSMC") has had a dispute with Jumbo Mining Company and its successor in interest, Asoma (Utah) Inc. (collectively, "Asoma"), over reclamation of the Drum Mine in Millard County, Utah. WSMC sold the Drum Mine to Asoma on October 12, 1988. WSMC provided in the sale documents that Asoma must take on all reclamation of the mine, which would require Asoma to replace WSMC's reclamation bond. Asoma later refused to abide by the terms of the sale documents with respect to reclamation and refused to post a bond for the Drum Mine. As a result, WSMC's bond is still being held by DOGM for that property. In 1990, WSMC was forced to institute litigation in Colorado to resolve the reclamation dispute. The Colorado court has now decided, by a court Order of Judgment dated February 23, 1993, that reclamation of the Drum Mine is the responsibility of Asoma. Based upon the court's Order, WSMC now seeks release of its reclamation bond on the Drum Mine from DOGM.

BRIEF BACKGROUND

In June of 1988, WSMC engaged a Denver attorney, named George Reeves, to prepare certain documents, including a Quitclaim Deed and Assignment, for the sale of WSMC's Drum Mine to Jumbo Mining Company. Mr. Reeves was instructed by WSMC to draft the sale documents so as to assign all environmental reclamation responsibility to the purchaser,

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Jumbo Mining Company. In drafting those documents, however, Mr. Reeves erroneously assigned environmental reclamation responsibility to WSMC rather than to Jumbo Mining Company by using the word "Assignor" instead of "Assignee" in a critical portion of the Quitclaim Deed and Assignment.

Jumbo Mining Company used Mr. Reeves' error to WSMC's detriment by refusing to execute a corrected Quitclaim Deed and Assignment and asserting, contrary to the parties' intent, that WSMC was responsible for reclamation at the Drum Mine. To correct Mr. Reeves' error, WSMC was forced to bring suit against Asoma (Utah), Inc., Jumbo Mining Company's successor in interest, in an action entitled Western States Minerals Corp. v. Asoma (Utah), Inc. et al., in the Jefferson County District Court, State of Colorado.

Before the trial, Mr. Reeves acknowledged his drafting error to WSMC. During the trial, Mr. Reeves admitted under oath that he made the drafting error which led to the litigation described above. (See Reporter's Partial Transcript of George Reeves' Testimony, May 4, 1992, attached as Attachment A, pages 13-17). On February 23, 1993, District Judge Woodford ordered that the Quitclaim Deed and Assignment be reformed to reflect the parties' intent that Asoma, rather than WSMC, be responsible for reclamation at the Drum Mine. (See Order, attached as Attachment B).

### REQUEST FOR ADMINISTRATIVE ACTION

As a result of the Order issued by Judge Woodford in the Colorado litigation, the responsibility for reclamation of the Drum Mine has now been correctly attributed to Asoma. WSMC has no responsibility for reclamation at the Drum Mine and hereby respectfully requests that DOGM release its reclamation bond on the Drum Mine and require Asoma to replace WSMC's bond with its own bond.

WSMC realizes that the Order is subject to appeal by Asoma, but believes it is extremely unlikely that WSMC will ultimately be found responsible for reclamation. If Asoma will ultimately be required to post an adequate reclamation bond, WSMC suggests that DOGM require Asoma to post that bond now, before WSMC's bond is released. At a minimum, WSMC believes that Asoma should be required to post an additional reclamation surety for the Drum Mine, in an

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amount adequate to ensure proper reclamation, pending DOGM's release of WSMC's bond. This will ensure that DOGM has an adequate surety on the Drum Mine when WSMC's bond is released.

Please call me with any questions you may have.

Sincerely,

  
Stephen D. Alfors

Enclosure

SDA/je

cc: Arden B. Morrow, WSMC  
Allan R. Cerny, WSMC